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UNCLAS SECTION 01 OF 02 TEGUCIGALPA 003150

SIPDIS

FOR GUATEMALA COMMATT:DTHOMPSON

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SUBJECT: Congress Issues Favorable Report on InterAirports

1. Summary. On November 11, a congressional commission released a favorable report finding that U.S.-led consortium InterAirports, which was awarded the contract to manage Honduras' four international airports in October 2000, has complied with all the terms of the concession contract. InterAirport officials hope that the inquiry will clear the consortium of any perceived non-compliance of the contract and allow them to proceed with the next stages of the project, principally the improvements in the airport in Tegucigalpa. InterAirports representatives thanked the Embassy for its support and advice throughout. End summary.

2. After a series of media attacks and complaints by private sector groups, the National Congress named a special commission in July to investigate InterAirports for possible breach of contract. The U.S.-led Interairports consortium (51 percent U.S.-owned) took management control of Honduras' four international airports in October 2000. Critics charged that the San Francisco Airport Authority was not an active, full partner in the consortium (participation of a major airport was a requirement in the public tender and subsequent contract) and that the company had not followed through with investments. They have also been criticized for fee increases and critics questioned the concession process itself.

3. The commission was comprised of seven congress deputies and was charged with investigating the bidding process, the contract and subcontracts and contract implementation plans. The commission also held a series of meetings with private sector associations and current and former GOH officials responsible for negotiating and implementing the concession contract. InterAirports representatives provided over 2,000 pages of supporting documentation to the commission.

4. On November 11, the congressional committee issued a favorable report, finding that the concession process was transparent and that Interairports has complied with all its commitments under the concession contract, including correct and appropriate involvement of San Francisco Airport Authority. The commission also found that delays in contract-mandated investments, such as extending the runway at the Tegucigalpa airport and building a new terminal, are the result of government delays and inaction. Construction of the terminal is underway after the GOH settled a legal dispute with a private party, permitting the demolition of an old hangar on adjacent land that had been embargoed per a court order.

5. The commission made a number of recommendations, mostly directed toward the GOH, including expediting the expropriation of land so that InterAirports can begin extending the runway, providing the Superintendent of Concessions with enough resources to supervise the implementation of the concession contract and requiring the Superintendent to submit a quarterly report to Congress on the implementation of the contract.

6. In response to customer service complaints, InterAirports representatives stated that they have begun to focus on customer service training for Interairports personnel. They are trying to work more cooperatively with the airlines on reducing landing fees at the four airports and aircraft parking charges at the San Pedro Sula airport.

7. In a meeting with InterAirports representatives after the commission reported its findings to Congress, Minister without portfolio for investment Camilo Atala stated that the GOH would support InterAirports and the terms of the contract. Before the study, President Maduro and other government officials had publicly stated that InterAirports had complied with the contract.

8. In a meeting with Emboffs, InterAirports thanked the Embassy for its advocacy and advice. They believe that the Tegucigalpa airport construction will now proceed and that the GOH will provide them long overdue documentation that will allow them to solidify financing for the next stages. In addition, they are interested in having the GOH complete an inventory of the airport and stop aircraft with unpaid bills from using the airport, both GOH commitments.

9. On an issue unrelated to the congressional inquiry, InterAirports representatives indicated that the consortium

is willing to help the GOH build an international airport in Copan in western Honduras, if desired. The GOH and private sector have been discussing the feasibility of building an airport near the site of one of Honduras' main tourism attractions, the Mayan ruins of Copan. The terms of the concession contract prohibit the GOH from using government financing to build a new international airport without the consent of InterAirports.

Comment

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10. Despite the fact that Adolfo Facusse, President of the National Association of Industrialists (ANDI) and the person who has been behind many of the attacks on InterAirports, offered to cooperate with InterAirports representatives during a recent meeting, we expect continued private sector sniping. Delays in construction projects, particularly at the Tegucigalpa airport, have contributed to a souring of public opinion of the concession process in general. We believe that the consortium is dedicated to improving their public image and providing the users with better service. End comment.

Palmer